

NEVADA SECRETARY OF STATE Quarterly Economic & Business Activity Report



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Q2 • 2012

Employment



vs. prior
quarter



vs. prior
year

New Entity Filings



vs. prior
quarter



vs. prior
year

Total List Filings



vs. prior
quarter



vs. prior
year

Unemployment



vs. prior
quarter



vs. prior
year



The Quarterly Economic & Business Activity Report provides a quarterly review and analysis of trends in economic and business activities. It is intended to provide a unique perspective on business investments and market conditions within the State of Nevada. Data contained herein is sourced to the Nevada Secretary of State and other reporting agencies, including the Nevada Department of Employment, Training and Rehabilitation.

Business Entity Filings Decline with Fragile Economy Q2 2012 Falls Short of Prior Quarter and Year Ago Values

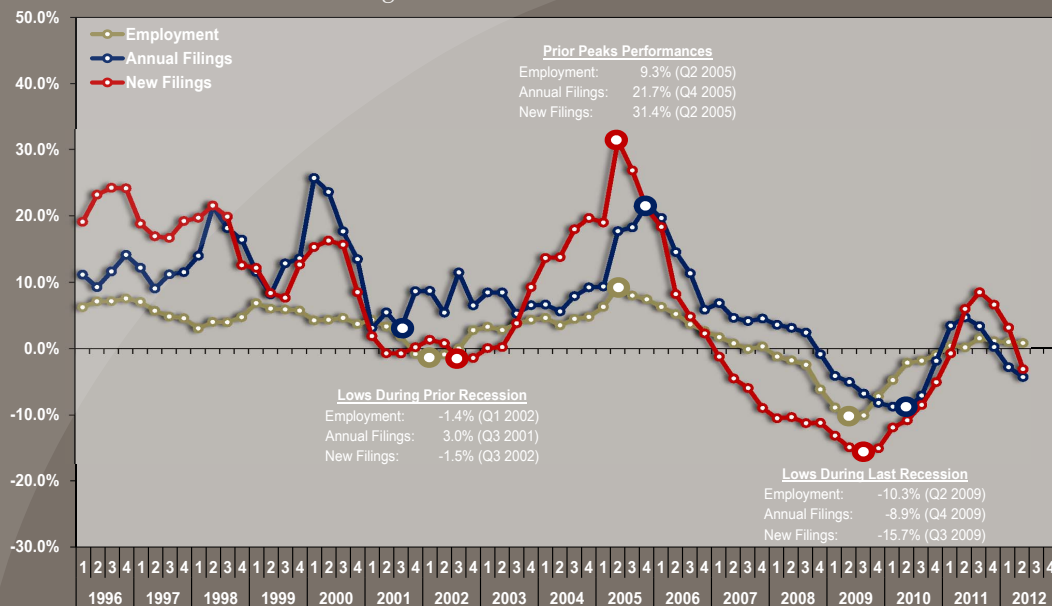
New Entity Filings *[Leading Indicator]*

- New business entity filings totaled 14,286 during the second quarter of 2012. New filings fell 7.5 percent when compared to the prior quarter (Q1 2012) and declined by 9.9 percent compared to the same quarter of last year (Q2 2011). During the past four quarters, new filings declined 3.0 percent when compared to the same period of the prior year.
- Domestic (Nevada) new filings fell 8.0 percent to 13,282 when compared to the prior quarter. The decline was primarily attributable to fewer limited liability company ("LLC") filings (-8.5 percent). Compared to the same period of the prior year, domestic new filings fell 10.0 percent, due to fewer LLC (-948) and corporation (-436) filings.
- Despite the decline in LLC filings, new LLCs continued to represent the majority of new filings during the second quarter, accounting for 65.6 percent of the total. The composition of new filings remained relatively consistent during the past year as all segments reported declines.

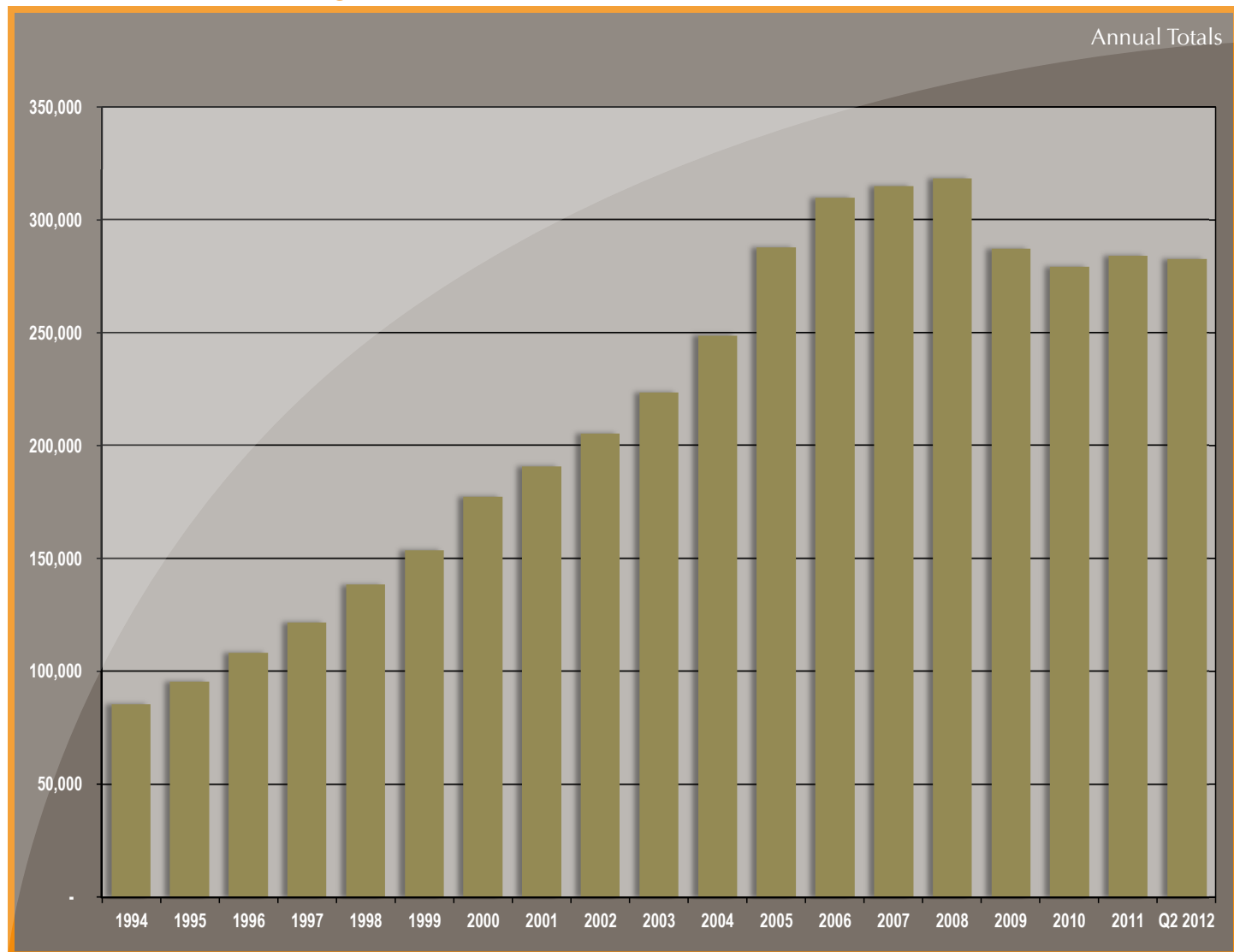
Total List Filings

- Initial, annual and amended lists filed during the second quarter of 2012 dropped 4.5 percent when compared to a year ago to 73,280. With a decline of 390 filings, LPs reported the greatest year-over-year percent decline of 10.2 percent. Corporation filings fell by 2,352, or 6.7 percent, while LLCs reported 687 fewer filings, translating into a 1.8-percent decline.
- During the trailing four-quarters ending June 2012, a total of 285,457 entities filed lists, representing a 4.2-percent decline when compared to the same period a year ago. Corporations reported 131,070 filings, down 9,410 or 6.7 percent compared to a year ago. LPs fell 9.7 percent to 14,082, and LLCs fell 1.2 percent to 139,400.
- As of June 2012, 282,689 entities were considered to be in "good standing", down 1.1 percent compared to a year ago.

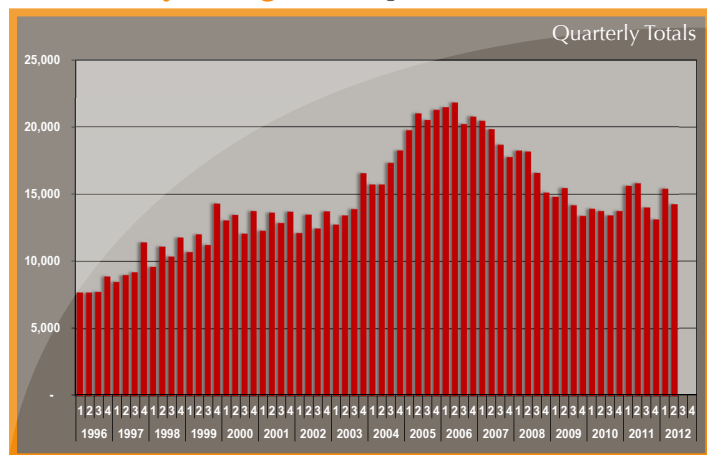
NEVADA EMPLOYMENT AND FILING COMPARATIVE ANALYSIS Trailing 12-Month Annual Growth Rates



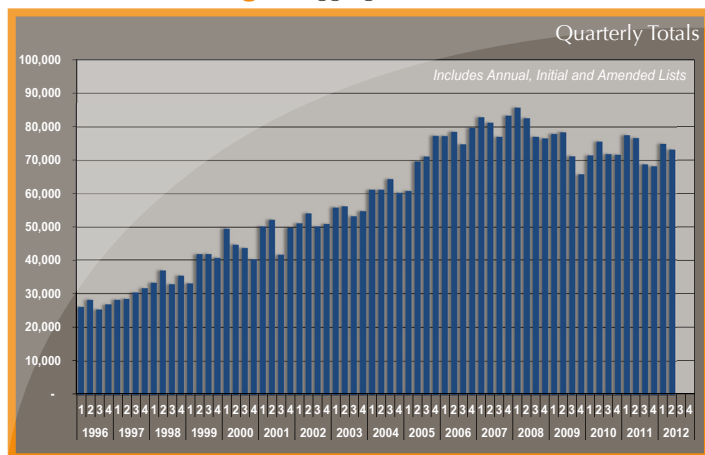
Entities in Good Standing



New Entity Filings [Leading Indicator]



Total List Filings [Lagging Indicator]



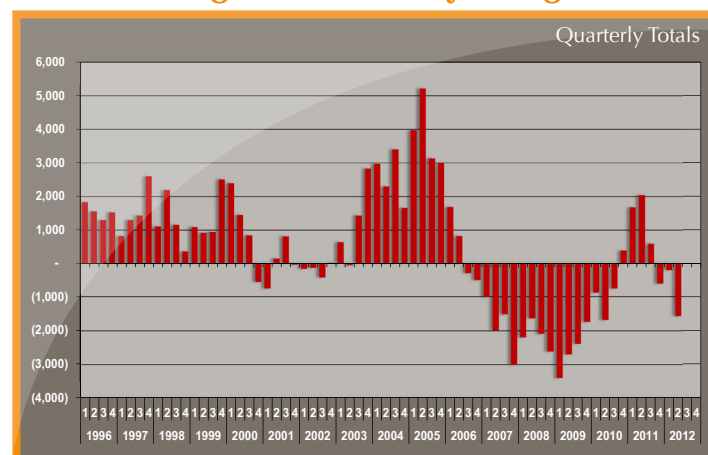
Quarterly Indicators ^[1]

Three Months Ended June 2012

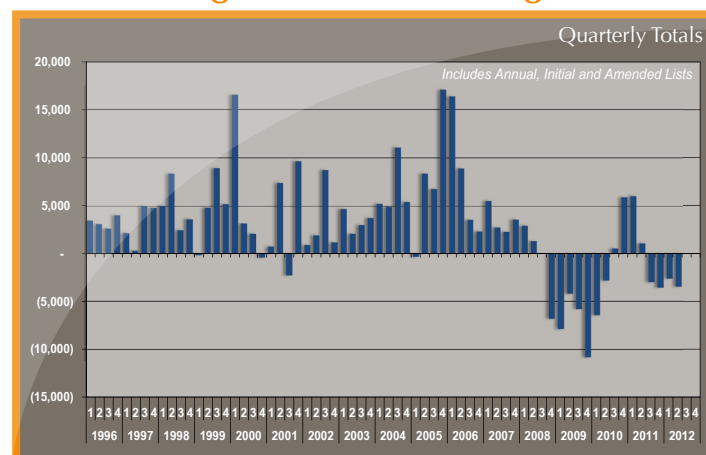
	Current Value	Prior Period			Prior Year		
		Value	Change	% Change	Value	Change	% Change
TOTAL LIST FILINGS [2]							
Corporations	32,900	34,435	(1,535)	-4.5% ▼	35,252	(2,352)	-6.7% ▼
Limited Partnerships	3,422	3,409	13	0.4% ▲	3,812	(390)	-10.2% ▼
Limited Liability Companies	36,726	36,926	(200)	-0.5% ▼	37,413	(687)	-1.8% ▼
Limited Liability Partnerships and Business Trusts	232	245	(13)	-5.3% ▼	250	(18)	-7.2% ▼
TOTAL	73,280	75,015	(1,735)	-2.3% ▼	76,727	(3,447)	-4.5% ▼
NEW FILINGS - DOMESTIC (NEVADA) ENTITIES [3]							
Corporations	4,186	4,496	(310)	-6.9% ▼	4,622	(436)	-9.4% ▼
Limited Partnerships	156	178	(22)	-12.4% ▼	212	(56)	-26.4% ▼
Limited Liability Companies	8,910	9,737	(827)	-8.5% ▼	9,858	(948)	-9.6% ▼
Limited Liability Partnerships and Business Trusts	30	31	(1)	-3.2% ▼	65	(35)	-53.8% ▼
TOTAL	13,282	14,442	(1,160)	-8.0% ▼	14,757	(1,475)	-10.0% ▼
NEW FILINGS - FOREIGN (NON-NEVADA) ENTITIES [3]							
Corporations	521	534	(13)	-2.4% ▼	556	(35)	-6.3% ▼
Limited Partnerships	13	22	(9)	-40.9% ▼	17	(4)	-23.5% ▼
Limited Liability Companies	466	448	18	4.0% ▲	514	(48)	-9.3% ▼
Limited Liability Partnerships and Business Trusts	4	3	1	33.3% ▲	4	-	0.0% ►
TOTAL	1,004	1,007	(3)	-0.3% ▼	1,091	(87)	-8.0% ▼
NEW FILINGS - TOTAL (DOMESTIC & FOREIGN) [3]							
Corporations	4,707	5,030	(323)	-6.4% ▼	5,178	(471)	-9.1% ▼
Limited Partnerships	169	200	(31)	-15.5% ▼	229	(60)	-26.2% ▼
Limited Liability Companies	9,376	10,185	(809)	-7.9% ▼	10,372	(996)	-9.6% ▼
Limited Liability Partnerships and Business Trusts	34	34	-	0.0% ►	69	(35)	-50.7% ▼
TOTAL	14,286	15,449	(1,163)	-7.5% ▼	15,848	(1,562)	-9.9% ▼
KEY ECONOMIC INDICATORS							
Employment [4]	1,136,300	1,125,300	11,000	1.0% ▲	1,126,200	10,100	0.9% ▲
Unemployment [4]	11.9%	11.9%	0.0%	- ►	14.0%	-2.1%	- ▼
Initial Jobless Claims	51,542	57,428	(5,886)	-10.2% ▼	56,958	(5,416)	-9.5% ▼
Bankruptcies - Chapter 7 [5]	3,143	3,107	36	1.2% ▲	4,396	(1,253)	-28.5% ▼
Bankruptcies - Chapter 11 [5]	81	78	3	3.8% ▲	106	(25)	-23.6% ▼
Bankruptcies - Chapter 13 [5]	676	695	(19)	-2.7% ▼	1,175	(499)	-42.5% ▼

[1] Indicator values reflect three month quarterly totals, unless otherwise noted. [2] Includes annual, initial and amended lists. [3] New entity registration/qualification filings. [4] As of the end of the reporting period. [5] Current value is based on the trailing 3-months ending June 2012

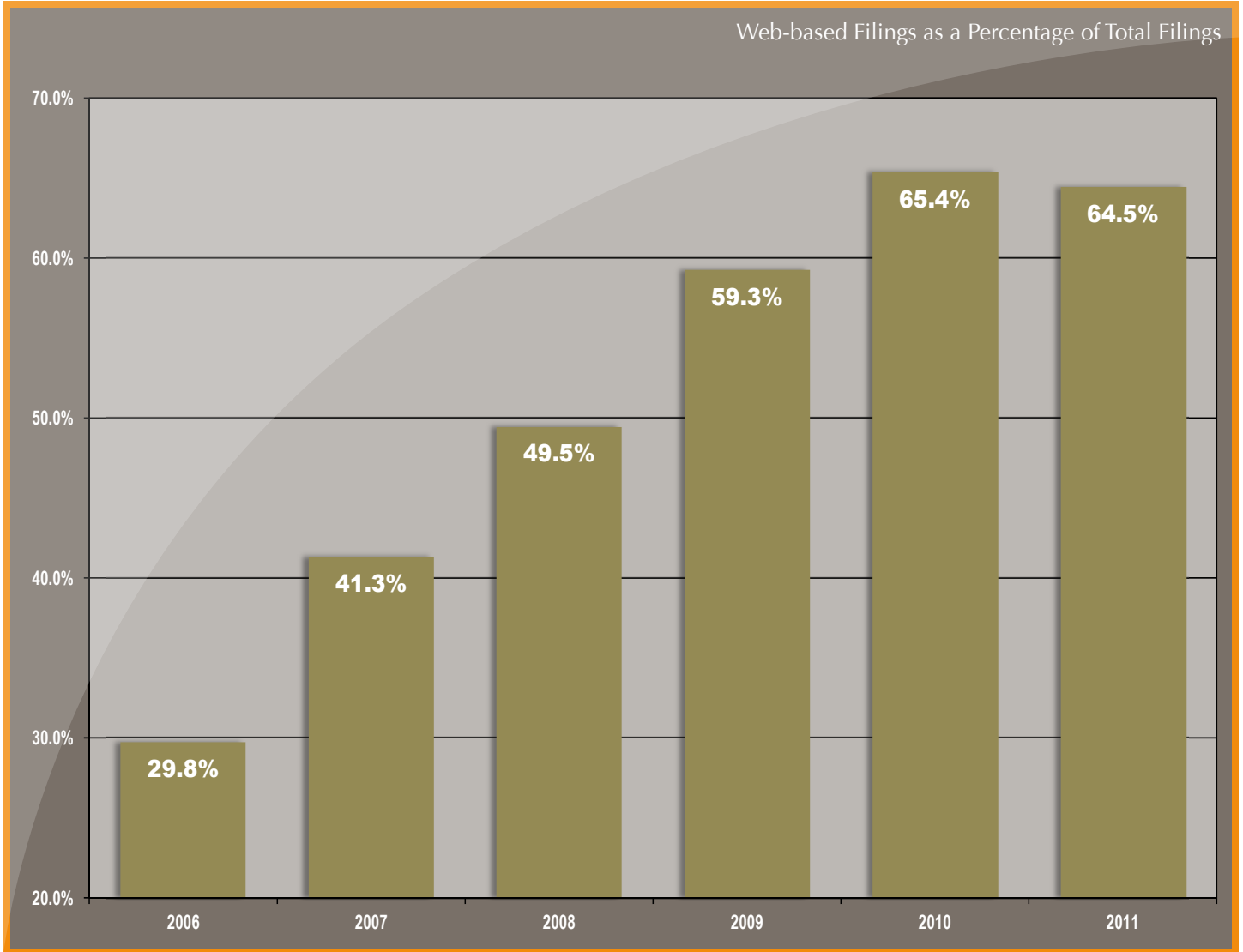
Annual Change in New Entity Filings



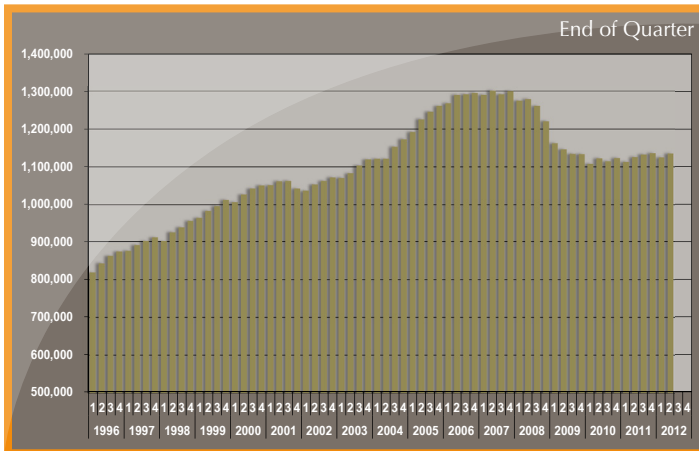
Annual Change in Total List Filings



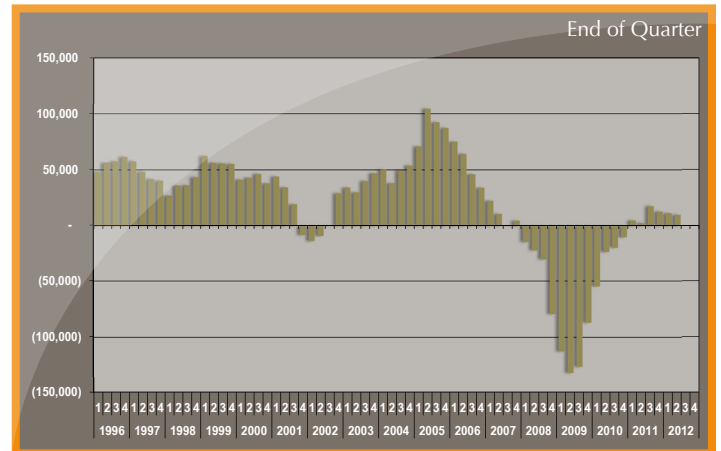
On-line Filing Utilization



Employment



Annual Change in Employment



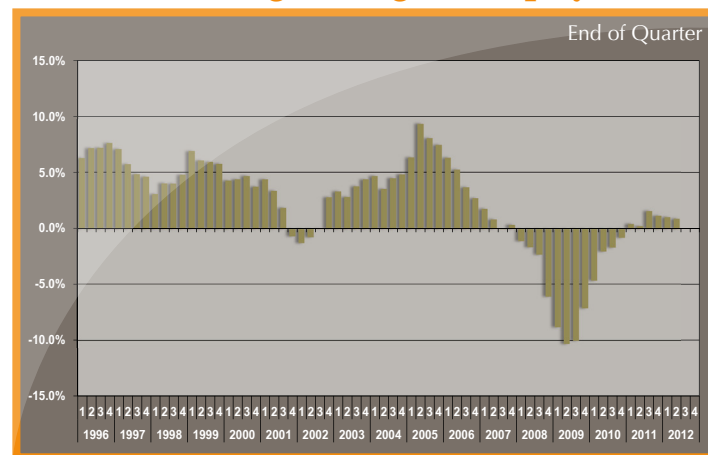
Annual Indicators ^[1]

Twelve Months Ended June 2012

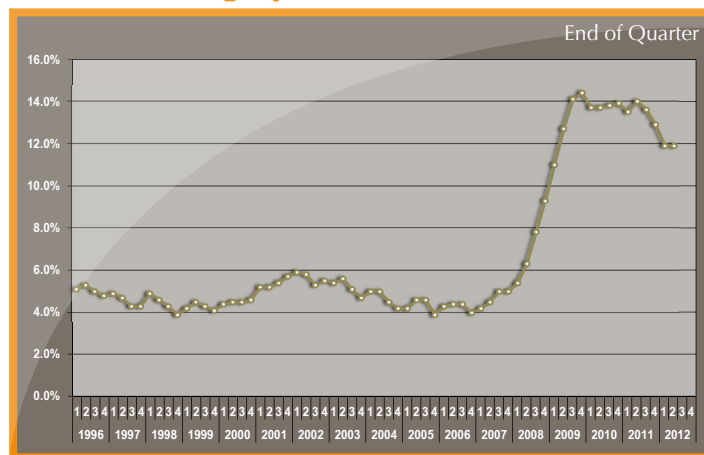
Current Quarter	Current	Prior Period			Prior Year		
	Value	Value	Change	% Change	Value	Change	% Change
TOTAL LIST FILINGS [2]							
Corporations	131,070	133,422	(2,352)	-1.8% ▼	140,480	(9,410)	-6.7% ▼
Limited Partnerships	14,082	14,472	(390)	-2.7% ▼	15,595	(1,513)	-9.7% ▼
Limited Liability Companies	139,400	140,087	(687)	-0.5% ▼	141,106	(1,706)	-1.2% ▼
Limited Liability Partnerships and Business Trusts	905	923	(18)	-2.0% ▼	917	(12)	-1.3% ▼
TOTAL	285,457	288,904	(3,447)	-1.2% ▼	298,098	(12,641)	-4.2% ▼
NEW FILINGS - DOMESTIC (NEVADA) ENTITIES [3]							
Corporations	16,851	17,287	(436)	-2.5% ▼	17,953	(1,102)	-6.1% ▼
Limited Partnerships	853	909	(56)	-6.2% ▼	937	(84)	-9.0% ▼
Limited Liability Companies	35,306	36,254	(948)	-2.6% ▼	35,488	(182)	-0.5% ▼
Limited Liability Partnerships and Business Trusts	116	151	(35)	-23.2% ▼	207	(91)	-44.0% ▼
TOTAL	53,126	54,601	(1,475)	-2.7% ▼	54,585	(1,459)	-2.7% ▼
NEW FILINGS - FOREIGN (NON-NEVADA) ENTITIES [3]							
Corporations	2,029	2,064	(35)	-1.7% ▼	2,275	(246)	-10.8% ▼
Limited Partnerships	72	76	(4)	-5.3% ▼	83	(11)	-13.3% ▼
Limited Liability Companies	1,733	1,781	(48)	-2.7% ▼	1,796	(63)	-3.5% ▼
Limited Liability Partnerships and Business Trusts	22	22	-	0.0% ►	28	(6)	-21.4% ▼
TOTAL	3,856	3,943	(87)	-2.2% ▼	4,182	(326)	-7.8% ▼
NEW FILINGS - TOTAL (DOMESTIC & FOREIGN) [3]							
Corporations	18,880	19,351	(471)	-2.4% ▼	20,228	(1,348)	-6.7% ▼
Limited Partnerships	925	985	(60)	-6.1% ▼	1,020	(95)	-9.3% ▼
Limited Liability Companies	37,039	38,035	(996)	-2.6% ▼	37,284	(245)	-0.7% ▼
Limited Liability Partnerships and Business Trusts	138	173	(35)	-20.2% ▼	235	(97)	-41.3% ▼
TOTAL	56,982	58,544	(1,562)	-2.7% ▼	58,767	(1,785)	-3.0% ▼
KEY ECONOMIC INDICATORS							
Employment [4]	1,136,300	1,125,300	11,000	1.0% ▲	1,126,200	10,100	0.9% ▲
Unemployment [4]	11.9%	11.9%	0.0%	- ►	14.0%	-2.1%	- ▼
Initial Jobless Claims	223,866	229,282	(5,416)	-2.4% ▼	251,779	(27,913)	-11.1% ▼
Bankruptcies - Chapter 7 [5]	13,449	14,702	(1,253)	-8.5% ▼	16,679	(3,230)	-19.4% ▼
Bankruptcies - Chapter 11 [5]	320	345	(25)	-7.2% ▼	367	(47)	-12.8% ▼
Bankruptcies - Chapter 13 [5]	3,271	3,770	(499)	-13.2% ▼	5,402	(2,131)	-39.4% ▼

[1] Indicator values reflect twelve month quarterly totals, unless otherwise noted. [2] Includes annual, initial and amended lists. [3] New entity registration/qualification filings. [4] As of the end of the reporting period. [5] Current value is based on the trailing 3-months ending June 2012

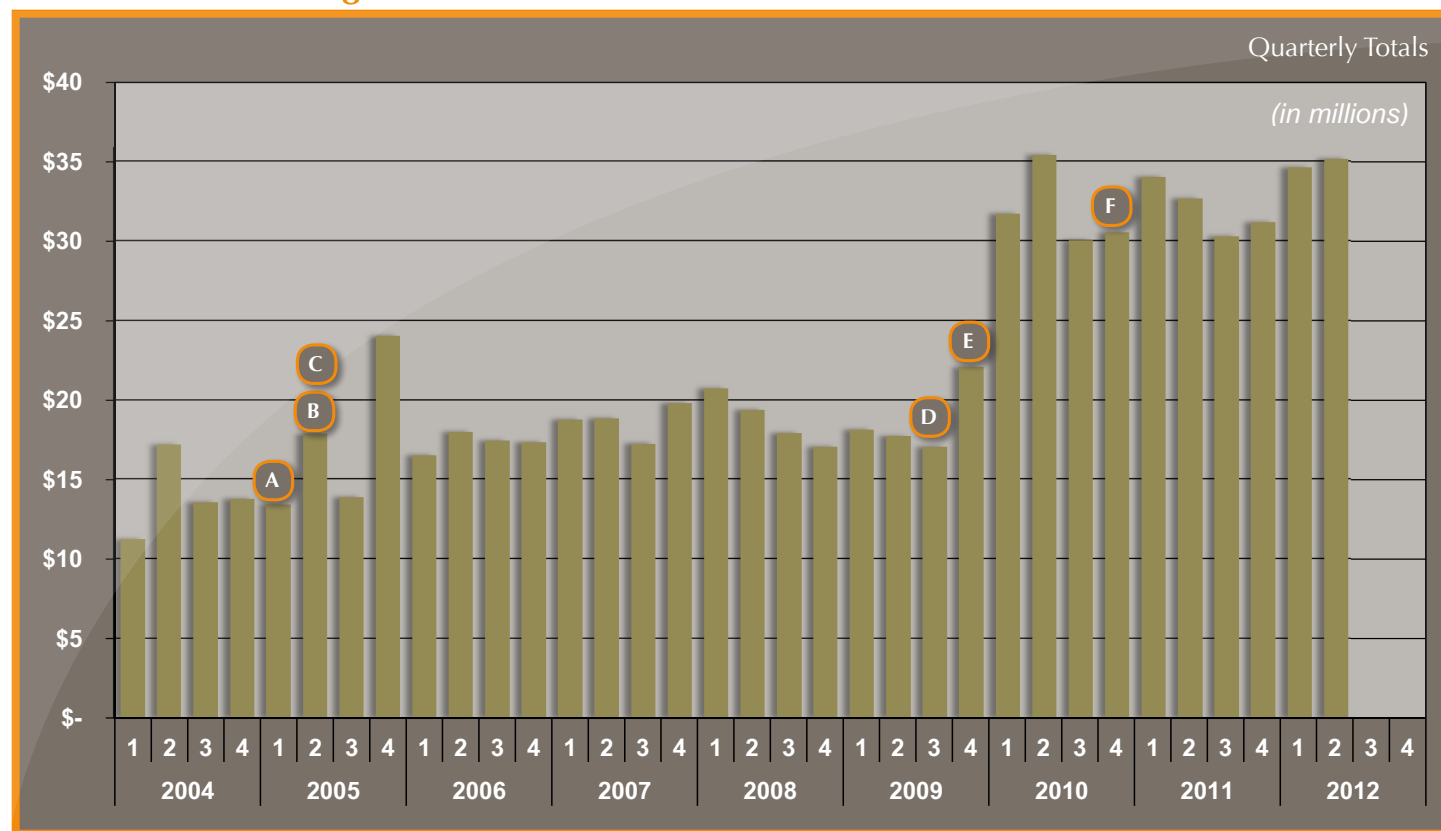
Annual Percentage Change in Employment



Nevada Unemployment Rate



Commercial Recordings Revenue



1991 – Major overhaul of Nevada business law, including the start of a business friendly environment (Delaware of the west), limited liability companies (LLCs) available in Nevada

1997 to 1998 – Implementation of floater division and changes in processes and staffing to reduce turnaround time from 8 to 10-plus weeks to 10 days or less

Q1 2001 – Height of filing increases preceding economic downturn and the events of September 11, 2001

October 1, 2001 – Fee increases in response to economic downturn, representing the first fee increases in 10 years; filing fees for articles rose from \$125 to \$175; initial lists increased from \$85 to \$165; and other fee increases were implemented

October 1, 2003 – Another significant fee change occurred: annual lists increased from \$85 to \$125 with a maximum of \$11,100 based on capitalization; new filings fee decreased from \$175 to \$75 and the maximum raised from \$25,000 to \$35,000 based on capitalization

- A January 29, 2005** – Implementation of e-SoS processing system for commercial recordings
- B April 2005** – Implementation of online services for initial, amended and annual lists
- C Q2 2005** – Peak of new filing increases
- D July 1, 2009** – Nevada state business license fee increased from \$100 to \$200 annually
- E October 1, 2009** – Nevada state business license authority transferred from the Department of Taxation to the Secretary of State of Nevada
- F December 2010** – Implementation of online articles services allowing customers to file new domestic corporations and limited liability companies (LLCs) online



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Ross Miller became the youngest Secretary of State in America and the youngest in Nevada history when he was elected in 2006. Unanimously selected by his peers to serve as President of the National Association of Secretaries of State for 2012, Ross' record of achievement since taking office reflects a true commitment to accountability and results. His accomplishments reflect a combination of enthusiasm for the job, and a vision for serving his constituents.



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Analyst's Assessment

“As the economic environment locally, regionally and nationally remains fragile, the amount of investment in new business entities appears to be slowing on the surface. While new entity filings fell from recent rebounding levels, they remain above values reported in 8 of the last 12 quarters. The latest data also suggests that over 14,000 new entities were formed in the past three months, a welcome sign despite the uncertainty that persists across selected Nevada business sectors.

It is also worth noting that notwithstanding the recent softening in business formation, overall employment growth has remained positive in the post-recession period. Historically, periods of strong expansion in the number of business entity filings has resulted in overall job gains. Conversely, with downturns in entity filings, employment has followed suit. The Silver State has yet to post negative year-over-year growth in the overall employment base, although business filings, a leading indicator, are clearly showing signs of weakness. The second half of the year will provide more insight as we continue to monitor job performance relative to entity filings. The depth and breadth of the latest recession may result in a more protracted employment recovery cycle than historically experienced.”

- **Jeremy Aguero**
Principal Analyst, Applied Analysis

Domestic (Nevada) Entities vs. Foreign (Non-Nevada) Entities – A domestic entity is an entity created pursuant to Nevada Law that may or may not have nexus in Nevada. Its formation documents are on file and a matter of public record in the office of the Secretary of State. A foreign entity is an entity created pursuant to the laws of a jurisdiction other than Nevada, which is qualified to do business in Nevada. Generally, most foreign entities have some sort of nexus in Nevada because they qualify so they may conduct business in Nevada.

Leading vs. Lagging Indicators – Generally, a lagging indicator is a measurable economic factor that changes after the economy has already begun to follow a particular trend or pattern. A leading indicator is a measurable economic factor that changes before the economy starts to follow a particular trend or pattern. Leading indicators can be used to predict changes in the economy. In this instance, new business entity filings provide directional insight into investments and business formation in the State of Nevada.

Information contained herein has been obtained from various sources deemed reliable. We have no reason to doubt its accuracy, but we do not guarantee it. **Applied Analysis** is a Nevada-based advisory services firm founded in 1997. We are an information and analysis resource for both the public and private sectors. Our team has extensive experience in economics, real estate, hospitality, gaming, information technology and finance. We apply this knowledge in an effort to develop creative solutions to our client's challenges. To put it simply, we are a solutions resource. Our firm is guided by our core values – integrity, diligence and dedication. Our future is branded by the success of our clients and the quality of our professionals. Our commitment lies therein.

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